

NEW LONDON COMMUNITY SCHOOL DISTRICT
NEW LONDON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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NEW LONDON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Laurie Hempen	President	2011
Bob McPheron	Vice President	2013
Dennis Carter	Board Member	2011
Joel Prottsman	Board Member	2011
Lindsay Porter	Board Member	2013
<u>School Officials</u>		
Charles Reighard	Superintendent	2011
Jessica Boyer	District Secretary/Treasurer	2011
Richard J. Gaumer	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2011 on our consideration of New London Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New London Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
December 6, 2011

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Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 5,663,543	\$ 140,972	\$ 5,804,515
Receivables:			
Property tax:			
Current year	25,088	-	25,088
Succeeding year	1,544,714	-	1,544,714
Income surtax	184,627	-	184,627
Accounts	506	-	506
Due from other governments	315,572	-	315,572
Prepaid expenses	20,469	-	20,469
Inventories	-	867	867
Capital assets, net of accumulated depreciation (note 4)	2,628,467	37,189	2,665,656
Total assets	10,382,986	179,028	10,562,014
Liabilities			
Accounts payable	390,840	-	390,840
Salaries and benefits payable	506,653	5,423	512,076
Accrued interest payable	40,809	-	40,809
Deferred revenue:			
Succeeding year property tax	1,544,714	-	1,544,714
Other	108,272	-	108,272
Long-term liabilities (note 5):			
Portion due within one year:			
Compensated absences	7,155	-	7,155
Portion due after one year:			
Bonds payable	4,285,000	-	4,285,000
Net OPEB liability	48,000	-	48,000
Total liabilities	6,931,443	5,423	6,936,866

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,129,899	\$ 37,189	\$ 2,167,088
Restricted for:			
Categorical funding (note 10)	30,358	-	30,358
Management levy	40,287	-	40,287
Physical plant and equipment levy	177,424	-	177,424
Public education and recreation levy	132,257	-	132,257
Student activities	100,324	-	100,324
Debt service	354,438	-	354,438
Capital projects	306,493	-	306,493
Unrestricted	180,063	136,416	316,479
Total net assets	\$ <u>3,451,543</u>	\$ <u>173,605</u>	\$ <u>3,625,148</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 3,909,198	\$ 535,743	\$ 612,737	\$ -
Support services:				
Student services	89,736	-	16,313	-
Instructional staff services	257,797	-	2,500	-
Administration services	530,850	700	-	-
Operation and maintenance of plant services	352,350	110	-	-
Transportation services	235,448	24,697	343	-
	<u>1,466,181</u>	<u>25,507</u>	<u>19,156</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	65,067	-	-	1,555
Long-term debt interest and fiscal charges	103,617	-	-	-
AEA flowthrough	220,536	-	220,536	-
Depreciation (unallocated) *	67,698	-	-	-
	<u>456,918</u>	<u>-</u>	<u>220,536</u>	<u>1,555</u>
Total governmental activities	<u>5,832,297</u>	<u>561,250</u>	<u>852,429</u>	<u>1,555</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>187,038</u>	<u>90,751</u>	<u>131,384</u>	<u>-</u>
Total	<u>\$ 6,019,335</u>	<u>\$ 652,001</u>	<u>\$ 983,813</u>	<u>\$ 1,555</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,760,718)	\$ -	\$ (2,760,718)
(73,423)	-	(73,423)
(255,297)	-	(255,297)
(530,150)	-	(530,150)
(352,240)	-	(352,240)
(210,408)	-	(210,408)
(1,421,518)	-	(1,421,518)
(63,512)	-	(63,512)
(103,617)	-	(103,617)
-	-	-
(67,698)	-	(67,698)
(234,827)	-	(234,827)
(4,417,063)	-	(4,417,063)
-	35,097	35,097
(4,417,063)	35,097	(4,381,966)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs

General revenues:

Property tax levied for:

General purposes

Public education and recreation

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 1,443,885	\$ -	\$ 1,443,885
12,248	-	12,248
49,615	-	49,615
188,710	-	188,710
376,365	-	376,365
2,522,293	-	2,522,293
9,896	32	9,928
81,947	-	81,947
4,684,959	32	4,684,991
267,896	35,129	303,025
3,183,647	138,476	3,322,123
<u>\$ 3,451,543</u>	<u>\$ 173,605</u>	<u>\$ 3,625,148</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 489,259	\$ 4,824,758	\$ 297,684	\$ 5,611,701
Receivables:				
Property tax:				
Current year	22,804	827	1,457	25,088
Succeeding year	1,387,572	54,393	102,749	1,544,714
Income surtax	143,599	41,028	-	184,627
Accounts	138	-	368	506
Due from other governments	220,920	94,652	-	315,572
Prepaid expenses	-	-	20,469	20,469
Total assets	\$ <u>2,264,292</u>	\$ <u>5,015,658</u>	\$ <u>422,727</u>	\$ <u>7,702,677</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 48,061	\$ 336,478	\$ 6,301	\$ 390,840
Salaries and benefits payable	506,653	-	-	506,653
Deferred revenue:				
Succeeding year property tax	1,387,572	54,393	102,749	1,544,714
Other	251,871	41,028	-	292,899
Total liabilities	<u>2,194,157</u>	<u>431,899</u>	<u>109,050</u>	<u>2,735,106</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	-	-	20,469	20,469
Restricted for:				
Categorical funding (note 10)	30,358	-	-	30,358
Revenue bond reserve	-	354,438	-	354,438
Revenue bond sinking fund	-	-	40,809	40,809
Management levy purposes	-	-	19,818	19,818
Student activities	-	-	100,324	100,324
Public education and recreation	-	-	132,257	132,257
School infrastructure	-	4,092,925	-	4,092,925
Physical plant and equipment	-	136,396	-	136,396
Unassigned	39,777	-	-	39,777
Total fund balances	<u>70,135</u>	<u>4,583,759</u>	<u>313,677</u>	<u>4,967,571</u>
Total liabilities and fund balances	<u>\$ 2,264,292</u>	<u>\$ 5,015,658</u>	<u>\$ 422,727</u>	<u>\$ 7,702,677</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 4,967,571
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,628,467
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	184,627
The Internal Service Fund is used to charge the costs of the District's Section 125 benefits plan to the governmental funds. The net assets of the Internal Service Fund are therefore included in governmental activities.	51,842
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,809)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,340,155)</u>
Net assets of governmental activities	<u>\$ 3,451,543</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,507,986	\$ 465,580	\$ 87,356	\$ 2,060,922
Tuition	356,282	-	-	356,282
Other	132,078	3,646	128,204	263,928
State sources	3,035,821	46	81	3,035,948
Federal sources	310,036	-	-	310,036
Total revenues	<u>5,342,203</u>	<u>469,272</u>	<u>215,641</u>	<u>6,027,116</u>
Expenditures:				
Current:				
Instruction	<u>3,810,685</u>	<u>2,957</u>	<u>116,108</u>	<u>3,929,750</u>
Support services:				
Student services	89,736	-	-	89,736
Instructional staff services	157,794	103,142	-	260,936
Administration services	496,548	-	35,997	532,545
Operation and maintenance of plant services	325,744	-	22,276	348,020
Transportation services	201,008	-	4,964	205,972
	<u>1,270,830</u>	<u>103,142</u>	<u>63,237</u>	<u>1,437,209</u>
Other expenditures:				
Facilities acquisition	-	710,188	-	710,188
Long term debt:				
Interest and fiscal charges	-	89,415	-	89,415
AEA flowthrough	220,536	-	-	220,536
	<u>220,536</u>	<u>799,603</u>	<u>-</u>	<u>1,020,139</u>
Total expenditures	<u>5,302,051</u>	<u>905,702</u>	<u>179,345</u>	<u>6,387,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,152</u>	<u>(436,430)</u>	<u>36,296</u>	<u>(359,982)</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Revenue bonds issued	\$ -	\$ 4,285,000	\$ -	\$ 4,285,000
Premium on revenue bonds issued	-	64,576	-	64,576
Interfund transfers in (note 3)	28,042	-	39,449	67,491
Interfund transfers out (note 3)	-	(39,449)	(28,042)	(67,491)
Total other financing sources (uses)	-	4,310,127	11,407	4,349,576
Net change in fund balances	68,194	3,873,697	47,703	3,989,594
Fund balances beginning of year, as restated (note 12)	1,941	710,062	265,974	977,977
Fund balances end of year	\$ <u>70,135</u>	\$ <u>4,583,759</u>	\$ <u>313,677</u>	\$ <u>4,967,571</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 3,989,594

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 766,197	
Depreciation expense	<u>(138,394)</u>	627,803

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 8,501

The change in net assets of the Internal Service Fund represents an undercharge to the governmental funds served. The expenses for governmental activities in the Statement of Activities are adjusted to reflect this amount. (7,236)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (4,285,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (40,809)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	43	
Net OPEB liability	<u>(25,000)</u>	<u>(24,957)</u>

Change in net assets of governmental activities \$ 267,896

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Assets		
Cash and cash equivalents	\$ 140,972	\$ 51,842
Inventories	867	-
Capital assets, net of accumulated depreciation (note 4)	37,189	-
Total assets	<u>179,028</u>	<u>51,842</u>
Liabilities		
Salaries and benefits payable	<u>5,423</u>	<u>-</u>
Net Assets		
Invested in capital assets	37,189	-
Unrestricted	<u>136,416</u>	<u>51,842</u>
Total net assets	<u>\$ 173,605</u>	<u>\$ 51,842</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2011

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 90,751	\$ 513,834
Operating expenses:		
Non-instructional programs:		
Salaries	49,311	-
Benefits	7,087	-
Purchased services	1,009	-
Supplies	124,840	-
Depreciation	4,791	-
Other	-	521,070
	<u>187,038</u>	<u>521,070</u>
Operating loss	(96,287)	(7,236)
Non-operating revenues:		
Interest on investments	32	-
State sources	2,109	-
Federal sources	129,275	-
Total non-operating revenues	<u>131,416</u>	<u>-</u>
Change in net assets	35,129	(7,236)
Net assets beginning of year	<u>138,476</u>	<u>59,078</u>
Net assets end of year	<u>\$ 173,605</u>	<u>\$ 51,842</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 89,449	\$ -
Cash received from miscellaneous operating activities	1,302	513,834
Cash payments to employees for services	(56,313)	-
Cash payments to suppliers for goods or services	(108,208)	(521,070)
Net cash used by operating activities	<u>(73,770)</u>	<u>(7,236)</u>
Cash flows from non-capital financing activities:		
State grants received	2,109	-
Federal grants received	111,233	-
Net cash provided by non-capital financing activities	<u>113,342</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(29,685)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>32</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	9,919	(7,236)
Cash and cash equivalents beginning of year	<u>131,053</u>	<u>59,078</u>
Cash and cash equivalents end of year	<u>\$ 140,972</u>	<u>\$ 51,842</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (96,287)	\$ (7,236)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	4,791	-
Commodities used	18,042	-
(Increase) in inventories	(192)	-
(Decrease) in accounts payable	(209)	-
Increase in salaries and benefits payable	85	-
Net cash used by operating activities	\$ <u>(73,770)</u>	\$ <u>(7,236)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$18,042 of federal commodities.

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>23,673</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>23,673</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2011

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>171</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,500</u>
Change in net assets	(1,329)
Net assets beginning of year	<u>25,002</u>
Net assets end of year	\$ <u><u>23,673</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

New London Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of New London, Iowa, and agricultural territory in Henry and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, New London Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. New London Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Henry County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Section 125 Benefits Fund is used to account for the Section 125 benefits plan offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>5,208,764</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Management Levy	\$ 26,750
General	Student Activity	1,292
Debt Service	Capital Projects	<u>39,449</u>
Total		\$ <u><u>67,491</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources or reflect reimbursements related to a prior year.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,701	\$ -	\$ -	\$ 47,701
Construction in progress	7,804	644,582	-	652,386
Total capital assets not being depreciated	<u>55,505</u>	<u>644,582</u>	<u>-</u>	<u>700,087</u>
Capital assets being depreciated:				
Buildings	3,138,934	27,146	-	3,166,080
Improvements other than buildings	222,546	-	-	222,546
Furniture and equipment	1,183,497	94,469	-	1,277,966
Total capital assets being depreciated	<u>4,544,977</u>	<u>121,615</u>	<u>-</u>	<u>4,666,592</u>
Less accumulated depreciation for:				
Buildings	1,640,180	54,525	-	1,694,705
Improvements other than buildings	184,073	2,400	-	186,473
Furniture and equipment	775,565	81,469	-	857,034
Total accumulated depreciation	<u>2,599,818</u>	<u>138,394</u>	<u>-</u>	<u>2,738,212</u>
Total capital assets being depreciated, net	<u>1,945,159</u>	<u>(16,779)</u>	<u>-</u>	<u>1,928,380</u>
Governmental activities capital assets, net	<u>\$ 2,000,664</u>	<u>\$ 627,803</u>	<u>\$ -</u>	<u>\$ 2,628,467</u>
Business-type activities:				
Furniture and equipment	\$ 102,911	\$ 29,685	\$ 10,494	\$ 122,102
Less accumulated depreciation	<u>90,616</u>	<u>4,791</u>	<u>10,494</u>	<u>84,913</u>
Business-type activities capital assets, net	<u>\$ 12,295</u>	<u>\$ 24,894</u>	<u>\$ -</u>	<u>\$ 37,189</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 31,333
Support services:	
Instructional staff	4,214
Administration	1,359
Operation and maintenance of plant services	4,314
Transportation	<u>29,476</u>
	70,696
Unallocated depreciation	<u>67,698</u>

Total governmental activities depreciation expense	\$ <u>138,394</u>
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Business-type activities:

Food service operations	\$ <u>4,791</u>
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Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Revenue Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	\$ 7,198	\$ 23,000	\$ 30,198
Additions	4,285,000	7,155	25,000	4,317,155
Reductions	<u>-</u>	<u>7,198</u>	<u>-</u>	<u>7,198</u>
Balance end of year	\$ <u>4,285,000</u>	\$ <u>7,155</u>	\$ <u>48,000</u>	\$ <u>4,340,155</u>
Due within one year	\$ <u>-</u>	\$ <u>7,155</u>	\$ <u>-</u>	\$ <u>7,155</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2011 school infrastructure sales, service and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	- %	\$ -	\$ 122,428	\$ 122,428
2013	2.00	120,000	162,038	282,038
2014	2.00	170,000	159,137	329,137
2015	3.00	195,000	154,513	349,513
2016	3.00	200,000	148,587	348,587
2017	3.00	205,000	142,513	347,513
2018	4.00	215,000	135,137	350,137
2019	4.00	220,000	126,438	346,438
2020	4.00	225,000	117,537	342,537
2021	4.00	235,000	108,338	343,338
2022	4.00	240,000	98,837	338,837
2023	4.00	250,000	89,038	339,038
2024	4.00	255,000	78,937	333,937
2025	4.00	265,000	68,538	333,538
2026	4.10	275,000	57,600	332,600
2027	4.25	285,000	45,906	330,906
2028	4.25	295,000	33,581	328,581
2029	4.25	310,000	20,725	330,725
2030	4.35	325,000	7,069	332,069
		<u>\$ 4,285,000</u>	<u>\$ 1,876,897</u>	<u>\$ 6,161,897</u>

The District pledged future statewide sales and services tax revenues to repay the \$4,285,000 bonds issued in April 2011. The bonds were issued for the purpose of financing a portion of the costs of various school building improvements. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 33 to 93 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$6,161,897. For the current year, no principal and interest were paid on the bonds and total statewide sales and services tax revenues were \$376,365.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Revenue Bonds (continued)

The resolution providing for the issuance of the school infrastructure sales, services and use tax revenue bonds includes the following provisions:

- (a) \$354,438 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.
- (b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 45 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	28,000
Interest on net OPEB obligation		1,000
Adjustment to annual required contribution		(2,000)
Annual OPEB cost		<u>27,000</u>
Contributions made		<u>(2,000)</u>
Increase in net OPEB obligation		25,000
Net OPEB obligation beginning of year		<u>23,000</u>
Net OPEB obligation end of year	\$	<u><u>48,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$2,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 27,000	7.4%	\$ 48,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$203,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$203,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,597,000, and the ratio of the UAAL to covered payroll was 7.8%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$219,869, \$213,543, and \$197,804, respectively, equal to the required contributions for each year.

Note 8. Risk Management

New London Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$220,536 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction	\$ 4,160
Market factor	4,076
Professional development for model core curriculum	17,127
Professional development	3,076
Market factor incentives	<u>1,919</u>
Total	<u>\$ 30,358</u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$3,578,404 for various building renovations. As of June 30, 2011, costs of \$295,124 had been incurred against the contracts. The balance of \$3,283,280 remaining at June 30, 2011 will be paid as work on the projects progresses.

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 562,314	\$ 147,748
Change in fund type classification per implementation of GASB Statement No. 54	<u>147,748</u>	<u>(147,748)</u>
Balances July 1, 2010, as restated	<u>\$ 710,062</u>	<u>\$ -</u>

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Required Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2011

	<u>Governmental Funds - Actual</u>	<u>Proprietary Fund - Enterprise - Actual</u>	<u>Total Actual</u>	<u>Budgeted Amounts Original and Final</u>	<u>Final to Actual Variance</u>
REVENUES:					
Local sources	\$ 2,681,132	\$ 90,783	\$ 2,771,915	\$ 2,831,692	\$ (59,777)
Intermediate sources	-	-	-	200	(200)
State sources	3,035,948	2,109	3,038,057	3,440,216	(402,159)
Federal sources	310,036	129,275	439,311	337,000	102,311
Total revenues	<u>6,027,116</u>	<u>222,167</u>	<u>6,249,283</u>	<u>6,609,108</u>	<u>(359,825)</u>
EXPENDITURES/EXPENSES:					
Instruction	3,929,750	-	3,929,750	4,159,839	230,089
Support services	1,437,209	-	1,437,209	1,413,750	(23,459)
Non-instructional programs	-	187,038	187,038	413,323	226,285
Other expenditures	1,020,139	-	1,020,139	1,514,489	494,350
Total expenditures/expenses	<u>6,387,098</u>	<u>187,038</u>	<u>6,574,136</u>	<u>7,501,401</u>	<u>927,265</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(359,982)	35,129	(324,853)	(892,293)	567,440
Other financing sources, net	4,349,576	-	4,349,576	-	4,349,576
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	3,989,594	35,129	4,024,723	(892,293)	4,917,016
Balance beginning of year	977,977	138,476	1,116,453	1,183,083	(66,630)
Balance end of year	<u>\$ 4,967,571</u>	<u>\$ 173,605</u>	<u>\$ 5,141,176</u>	<u>\$ 290,790</u>	<u>\$ 4,850,386</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 203	\$ 203	0.0%	\$ 2,208	9.2%
2011	July 1, 2009	-	203	203	0.0%	2,597	7.8%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 23,037	\$ 101,785	\$ 132,053	\$ 40,809	\$ 297,684
Receivables:					
Property tax:					
Current year	1,253	-	204	-	1,457
Succeeding year	90,000	-	12,749	-	102,749
Accounts	-	368	-	-	368
Prepaid expenses	20,469	-	-	-	20,469
Total assets	\$ 134,759	\$ 102,153	\$ 145,006	\$ 40,809	\$ 422,727
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 4,472	\$ 1,829	\$ -	\$ -	\$ 6,301
Deferred revenue:					
Succeeding year property tax	90,000	-	12,749	-	102,749
Total liabilities	94,472	1,829	12,749	-	109,050
Fund balances:					
Nonspendable:					
Prepaid expenses	20,469	-	-	-	20,469
Restricted for:					
Revenue bond sinking fund	-	-	-	40,809	40,809
Management levy purposes	19,818	-	-	-	19,818
Student activities	-	100,324	-	-	100,324
Public education and recreation	-	-	132,257	-	132,257
Total fund balances	40,287	100,324	132,257	40,809	313,677
Total liabilities and fund balances	\$ 134,759	\$ 102,153	\$ 145,006	\$ 40,809	\$ 422,727

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 75,119	\$ -	\$ 12,237	\$ -	\$ 87,356
Other	7,621	115,840	3,383	1,360	128,204
State sources	70	-	11	-	81
Total revenues	82,810	115,840	15,631	1,360	215,641
Expenditures:					
Current:					
Instruction	-	116,108	-	-	116,108
Support services:					
Administration services	35,997	-	-	-	35,997
Operation and maintenance of plant services	22,276	-	-	-	22,276
Transportation services	4,964	-	-	-	4,964
Total expenditures	63,237	116,108	-	-	179,345
Excess (deficiency) of revenues over (under) expenditures	19,573	(268)	15,631	1,360	36,296
Other financing sources (uses):					
Interfund transfers in	-	-	-	39,449	39,449
Interfund transfers out	(26,750)	(1,292)	-	-	(28,042)
Total other financing sources (uses)	(26,750)	(1,292)	-	39,449	11,407
Net change in fund balances	(7,177)	(1,560)	15,631	40,809	47,703
Fund balances beginning of year	47,464	101,884	116,626	-	265,974
Fund balances end of year	\$ 40,287	\$ 100,324	\$ 132,257	\$ 40,809	\$ 313,677

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 4,689,189	\$ 135,569	\$ 4,824,758
Receivables:			
Property tax:			
Current year	-	827	827
Succeeding year	-	54,393	54,393
Income surtax	-	41,028	41,028
Due from other governments	94,652	-	94,652
Total assets	\$ 4,783,841	\$ 231,817	\$ 5,015,658
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 336,478	-	\$ 336,478
Deferred revenue:			
Succeeding year property tax	-	54,393	54,393
Other	-	41,028	41,028
Total liabilities	336,478	95,421	431,899
Fund balances:			
Restricted for:			
Revenue bond reserve	354,438	-	354,438
School infrastructure	4,092,925	-	4,092,925
Physical plant and equipment	-	136,396	136,396
Total fund balances	4,447,363	136,396	4,583,759
Total liabilities and fund balances	\$ 4,783,841	\$ 231,817	\$ 5,015,658

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 376,365	\$ 89,215	\$ 465,580
Other	1,117	2,529	3,646
State sources	-	46	46
Total revenues	<u>377,482</u>	<u>91,790</u>	<u>469,272</u>
Expenditures:			
Current:			
Instruction	2,957	-	2,957
Support services:			
Instructional staff services	-	103,142	103,142
Other expenditures:			
Facilities acquisition	710,188	-	710,188
Long term debt:			
Interest and fiscal charges	89,415	-	89,415
Total expenditures	<u>802,560</u>	<u>103,142</u>	<u>905,702</u>
Deficiency of revenues under expenditures	(425,078)	(11,352)	(436,430)
Other financing sources (uses):			
Revenue bonds issued	4,285,000	-	4,285,000
Premium on revenue bonds issued	64,576	-	64,576
Interfund transfers out	(39,449)	-	(39,449)
Total other financing sources (uses)	<u>4,310,127</u>	<u>-</u>	<u>4,310,127</u>
Net change in fund balances	3,885,049	(11,352)	3,873,697
Fund balances beginning of year, as restated	<u>562,314</u>	<u>147,748</u>	<u>710,062</u>
Fund balances end of year	<u>\$ 4,447,363</u>	<u>\$ 136,396</u>	<u>\$ 4,583,759</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers	Balance End of Year
Athletics	\$ 15,469	\$ 49,118	\$ 48,342	\$ 16,245
Art Club	117	-	117	-
Classes of 2008-2016	5,900	2,792	6,413	2,279
Masqued Tigers	4,700	837	1,467	4,070
Future Homemakers of America	315	-	315	-
Foreign Language Club	82	-	82	-
Instrumental Music	(124)	2,993	2,169	700
Student Council	5,778	6,051	5,566	6,263
Elementary Student Advisory Council	9,143	4,718	4,045	9,816
Yearbook	3,934	4,676	4,471	4,139
Middle School Student Council	3,673	2,057	1,202	4,528
Middle School Cheerleaders	239	-	239	-
High School Cheerleaders	1,904	1,777	932	2,749
Music and Drama	1,525	2,840	4,760	(395)
Vocal Music:				
High School	2,740	1,342	1,111	2,971
Middle School	62	-	-	62
New London Tigerettes	5,092	2,420	1,579	5,933
Interest on Investments	3,443	76	-	3,519
Boys Basketball	6,554	8,477	8,939	6,092
Sixth Grade Projects	4,782	2,727	2,068	5,441
Tiger Tales Book Store	295	-	-	295
Playground	746	-	-	746
Middle School Volleyball	250	-	-	250
Tiger Football	1,142	7,618	8,968	(208)
Tiger Wrestling	823	3,110	1,647	2,286
Tiger Girls Basketball	9,134	674	1,028	8,780
Burkhart Girls Basketball	437	-	-	437
Tiger Volleyball	1,278	4,153	5,040	391
Tiger Softball	4,230	2,085	1,462	4,853
Tiger Baseball	1,310	3,645	2,441	2,514
MS Boys Baseball	(60)	373	346	(33)
Jump Rope for Heart	1,915	-	-	1,915

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures and Interfund Transfers	Balance End of Year
Boys Track	\$ 1,442	\$ -	\$ 628	\$ 814
SADD Club	227	-	227	-
Dragon Boat	159	-	159	-
Entrepreneurship Club	152	-	152	-
High School Boys Golf	1,330	248	472	1,106
Middle School Softball	468	711	551	628
High School Girls Golf	854	248	333	769
Clark Cards	424	74	129	369
Total	<u>\$ 101,884</u>	<u>\$ 115,840</u>	<u>\$ 117,400</u>	<u>\$ 100,324</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 2,060,922	\$ 1,864,615	\$ 1,804,112	\$ 1,707,429
Tuition	356,282	311,495	303,108	260,611
Other	263,928	277,414	376,144	441,751
Intermediate sources	-	-	176	-
State sources	3,035,948	2,807,933	3,274,593	3,085,211
Federal sources	310,036	552,407	203,607	237,343
Total revenues	<u>\$ 6,027,116</u>	<u>\$ 5,813,864</u>	<u>\$ 5,961,740</u>	<u>\$ 5,732,345</u>
Expenditures:				
Instruction	\$ 3,929,750	\$ 3,985,085	\$ 3,885,220	\$ 3,726,013
Support services:				
Student services	89,736	57,839	111,955	110,834
Instructional staff services	260,936	129,400	106,071	114,442
Administration services	532,545	540,313	556,546	594,899
Operation and maintenance of plant services	348,020	340,327	386,326	383,841
Transportation services	205,972	236,753	271,055	264,996
Other expenditures:				
Facilities acquisition	710,188	243,862	211,095	290,731
Long-term debt:				
Interest and fiscal charges	89,415	-	-	-
AEA flowthrough	220,536	219,068	201,220	185,711
Total expenditures	<u>\$ 6,387,098</u>	<u>\$ 5,752,647</u>	<u>\$ 5,729,488</u>	<u>\$ 5,671,467</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,656,080	\$ 1,591,318	\$ 1,327,471
170,869	192,869	197,809
331,331	306,179	201,871
-	-	-
2,751,262	2,712,146	2,369,276
220,729	124,892	194,018
<u>\$ 5,130,271</u>	<u>\$ 4,927,404</u>	<u>\$ 4,290,445</u>
\$ 3,388,690	\$ 3,298,584	\$ 3,139,664
101,376	97,041	85,562
110,957	72,122	173,748
513,020	487,501	466,970
419,060	457,882	394,744
216,290	185,782	239,801
461,344	178,013	3,662
-	-	-
168,638	164,835	154,091
<u>\$ 5,379,375</u>	<u>\$ 4,941,760</u>	<u>\$ 4,658,242</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New London Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New London Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New London Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New London Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-B-11 and I-C-11 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-D-11, I-E-11, I-F-11, and I-G-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New London Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of noncompliance described in Part I of the accompanying Schedule of Findings as item I-A-11 and certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about New London Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

New London Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit New London Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New London Community School District and other parties to whom New London Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New London Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
December 6, 2011

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

- I-A-11 Teacher Salary Supplement – We noted that a total of \$129,421 of teacher salary supplement funded salary during fiscal year 2010 and fiscal year 2011 was miscoded in the accounting system as project 0000 instead of project 3204. Adjustments have been made to the financial statements and with the Iowa Department of Education to properly record the teacher salary supplement expenditures.

Recommendation – All teacher salary supplement pay should be coded to the proper account when the payroll is entered.

Response – We will make sure future teacher salary supplement payments are coded to the correct account when the payroll is entered. We were using a previous account number and hadn't updated to the new account code. The payroll amounts were correct, just the accounting code wasn't correct.

Conclusion – Response accepted.

Internal Control Deficiencies:

- I-B-11 Bank Reconciliation – We noted that bank reconciliations were prepared for each bank account except for the Bankers Trust bond accounts but were not reconciled to the general ledger. This leads to posting errors remaining undetected and many unrecorded transactions. We noted \$52,504 of outstanding checks that were not included on the June bank reconciliation and non-cash items that were included in cash balances. We also noted \$354,437 of unrecorded bond issuance revenues and a final unreconciled difference of \$470. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger each month. Any differences should be investigated and corrected. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information of the District throughout the year for the Board of Education's management decisions.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any differences will be investigated and corrected timely.

Conclusion – Response accepted.

- I-C-11 Financial Reporting – During the audit, we identified material amounts of revenues and payables not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all revenues and payables are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any revenues or payables.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- I-D-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts, disbursements and payroll functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible.

Conclusion – Response accepted.

- I-E-11 School Nutrition Fund Accounts – The District records student meal deposits as revenue in the Enterprise, School Nutrition Fund, even though the revenue is not actually earned until the student purchases a meal. Meal revenues are being reported under lunch revenue only and not being broken out into breakfast, adult or ala carte revenues.

Recommendation – The District should record meal deposits in a deferred revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category.

Response – We will consider setting up a deferred revenue account to record meal deposits until the revenue has been earned and then allocating it to the applicable meal revenue category as meals are served each month.

Conclusion – Response accepted.

- I-F-11 Payroll – We noted that an employee was overpaid \$3,130 because the pay rate was not changed when the employee went from full-time to part-time.

Recommendation – The District should make sure that any such changes in the future are properly changed in the payroll system. The District should also request reimbursement from this employee for the \$3,130 overpayment.

Response – We will make sure that the pay rates are properly changed in the payroll system, if this happens again. We will also request reimbursement from the employee.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- I-G-11 Fundraisers – We noted in our testing of Special Revenue, Student Activity Fund fundraisers that no fundraiser reconciliations are prepared by the activity sponsors.

Recommendation – The District should adopt and enforce a policy which requires a fundraiser reconciliation to be completed by sponsors for all fundraisers. This reconciliation should tie total sales receipts to the related bank deposits and reconcile receipts to the related disbursements to determine if the fundraiser met the expected profit margin.

Response – We will consider implementing a fundraiser reconciliation policy.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

- II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the support services functions.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- II-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-11 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie McPherson Spouse of Board Member	Substitute Teacher	\$8,050
Susan Carter Spouse of Board Member	Substitute Teacher	1,749
Ron Boyer, Spouse of Board Secretary Owner of Boyer's Home Improvement	Maintenance work	3,250
Greg Lerdal, Golf Coach Owner of Deerwood Golf	Golf fees/supplies	2,062
Mark Scott, Spouse of Teacher Owner of Ebert Supply Company	Custodial supplies	249

In accordance with Chapter 279.7A of the Code of Iowa, the second transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year. In accordance with an Attorney General's opinion dated November 9, 1976, the third, fourth, and fifth transactions do not appear to represent any conflict of interest. However, the first transaction appears to represent a conflict of interest since the cumulative amount was more than \$2,500.

Recommendation – The District should contact their legal counsel to resolve this situation.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting (continued):

II-D-11 Business Transactions (continued)

Response – The Board does not approve substitute teachers, the school Principals do. We will check with our Attorney to make sure this is not a conflict of interest.

Conclusion – Response accepted.

II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting (continued):

II-L-11 Statewide Sales and Services Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	562,314
Revenues:			
Sales tax revenues	\$	376,365	
Other local revenues		1,117	
Issuance of long-term debt		<u>4,349,576</u>	4,727,058
Expenditures/transfers out:			
School infrastructure construction		710,188	
Equipment		2,957	
Other		89,415	
Transfers to other funds:			
Debt Service Fund		<u>39,449</u>	<u>842,009</u>
Ending balance		\$	<u><u>4,447,363</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.